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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 342 April, 1989

Business in Virginia March, 1989 Data

The unusual negative consensus displayed by our statewide economic indicators in February appeared at the time to be the product of bad weather and the calender, not the initial step in a general economic decline. That judgment has been confirmed by the Virginia data now available.

The two series we report with a lag—nonagricultural employment and total retail sales—both recorded good gains for February. Payroll jobs rose 4.5 percent over February 1988, the same year-to-year growth rate experienced in January. Therefore statewide job growth in 1989 has remained strong, above the average rate for 1988 (3.7 percent). No sign of impending layoffs—quite the opposite, with many jobs going unfilled.

Total retail sales also advanced strongly in February, up 6.4 percent statewide. A welcome rebound from the flat January sales, and evidence that the weakness seen initially for February among our sample of general retail stores was not experienced by all types of retailers. However, Virginia's 6.4 percent statewide retail sales gain was a full point below the national February-to-February rise of 7.4 percent in total retail sales excluding the automobile group (a measure that roughly approximates Virginia's taxable retail sales). Our consumers still are not upping their retail spending in 1989 as freely as their national counterparts—perhaps partly because they are still paying for their surprisingly strong splurge in December.

The March retail report by our sample of stores echoes the February general retail results just described. Our sample had a 5.0 percent year-to-year gain in March. That is a percentage point less than the national increase of 6.0 percent for retail sales other than autos. Remember though our sample data indicate the average dollar sales receipts per existing store, not total sales by all stores, new and old. Thus in reality our per store rise of 5.0 percent probably indicates a general retail gain in Virginia in March at least equal to the national one.

An early Easter apparently boosted general retail trade in all parts of the Commonwealth. Among our sample of stores only those in Petersburg reported a decline, down a slight 0.7 percent.

Among our seven March indicators, four showed gains for the month. In addition to the increase for our sample of retailers, bank debits were up 3.5 percent; electricity consumed, +11.9 percent; and its partner in business activity, water consumed, advanced 3.7 percent.

The seasonally higher demand for such goods as apparel, gifts, and travel did not extend to automobiles. New car registrations across the state fell 20.9 percent in March compared to the same month last year. Fourteen of our seventeen urban areas reported double-digit declines, ranging as high as 39 percent; two had drops of 7 to 9 percent; and only one, Franklin, realized an increase. That dismal demand for new cars in March follows a 17.7 percent statewide plunge in February, and the cumulative first quarter drop has been 13.5 percent. Incentives now are back at most dealerships, and they are pushing hard to get us to at least look at the cars available—that may restrain the slide in the next few months. But 1989 is well on its way to being a year of lower automobile demand.

Even that cloud has a brighter side. Do not look for Virginians to save all of what they might have used as a downpayment on a new car. Instead they will spend most of these discretionary funds, and a likely prospect is more spend-

Chart I

Nine Selected Business & Economic Indicators Percentage Change

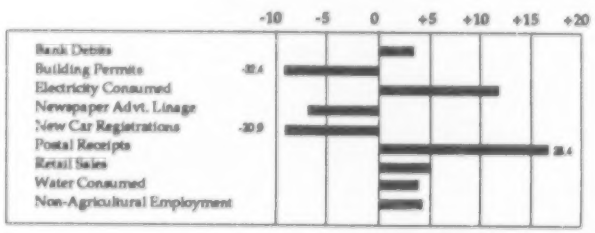
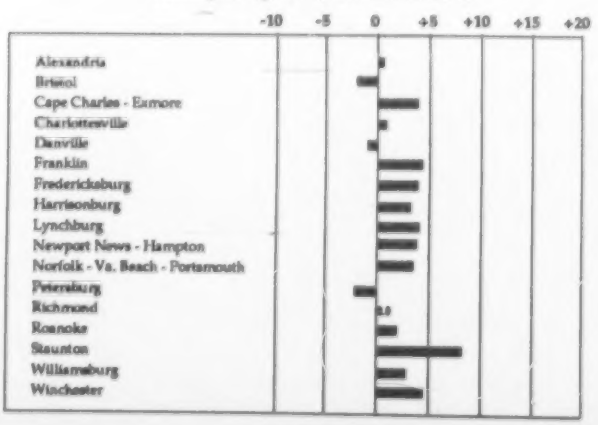


Chart II

City Indices



-ing for recreation and travel, active sources of personal pleasure. That may boost our tourist-related enterprises in late spring and summer.

The building permit decline of 22.4 percent in March builds on the slight drop of 1.7 percent in February. The cumulative first quarter result still is positive, but only 1.7 percent in current dollars. Building plans in real (inflation-adjusted) terms are being cut back in some parts of the Commonwealth, and that may spread to other areas as the year progresses. For now, though, the pattern around the state varies widely, from huge increases in planned construction to large declines.

The available March and cumulative first quarter economic signals in Virginia are generally positive around the state for general retail trade, power, water, and overall spending (bank debits); consistently negative for new car demand; and mixed to negative regarding building plans. The negatives are not sufficient to raise concern about an impending recession—for now the current data point towards steady growth in the Commonwealth. RLP

Federal Confirmation of Virginia's Superior Economic Performance

On April 20 the Bureau of Economic Analysis in the U.S. Department of Commerce released their estimates of state personal income for the fourth quarter of 1988. They also released preliminary 1988 annual values, calculated as the average of the four quarterly estimates. Revisions based on more complete data will be forthcoming in the fall; but the preliminary estimates give us a clear view of where we stand, especially relative to other states.

First we will give some highlights of Virginia's performance, then we will review the national rankings.

Virginia experienced steady income growth in the fourth quarter of 1988 (1988:4), an 8.5 percent rise in total resident personal income compared to 1987:4. Four industry sectors recorded double-digit earnings increases, fourth quarter to fourth quarter: finance, insurance, and real estate, (FIRE), up 12.7 percent; wholesale trade, gaining 12.0 percent; and construction, continuing its strong performance with an 11.0 percent increase. Only one sector, mining, suffered a decline, down 4.8 percent from 1987:4 to 1988:4.

Virginia's strong fourth quarter income growth put the annual figures right on target. The annual average for Virginia personal income in 1988 reached $105.77 billion, in line with our November estimate of $105.8 billion. Virginia did indeed pass the hundred billion mark in 1988. We did so with an annual growth rate, 1987-1988, of 8.5 percent in total personal income (identical to our fourth quarter to fourth quarter rate).

For the calender year the sectors with the highest growth rates generally were the same as in the fourth quarter, with one exception: farm earnings were the growth leader, posting a 19.0 percent gain for the year. That was followed by private services (+12.4 percent), FIRE (+10.9 percent), wholesale trade (+10.4 percent), and construction (+10.0 percent). On an annual basis all major industry sectors experienced rising dollar income. However some of the increases were small, below the inflation rate. Mining earnings edged up 3.3 percent; Federal military employ[illegible] receipts, 2.8 percent; and in nondurable goods manufacturing the gain was only 2.0 percent.

The general economic prosperity in Virginia has attracted many new residents from other states, boosting our population growth in recent years. The estimated 5,996,000 Virginians as of July 1, 1988 represented a 1.4 percent increase over 1987—down from the 2.0 percent growth rate in the previous year but still clearly above the national rate of 1.0 percent.

The net result of the high income growth and moderately slower population rise in 1988 was an increase in per capita income of 7.0 percent from 1987 to 1988. This brought the 1988 Virginia income per person to $17,640, seven percentage points or $1,196 above the national average of $16,444.

TABLE IV

RESIDENT PERSONAL INCOME AND POPULATION
TOP FOURTEEN STATES, 1988

PER CAPITA RESIDENT PERSONAL INCOME			TOTAL RESIDENT PERSONAL INCOME			TOTAL POPULATION AS OF JULY 1		
	DOLLARS 1988	AV. ANNUAL % CHANGE 1982 - 1988		MILLIONS OF DOLLARS 1988	AV. ANNUAL % CHANGE 1982 - 1988		THOUSANDS OF PERSONS	AV. ANNUAL % CHANGE 1982 - 1988
UNITED STATES	$16,444	6.2	UNITED STATES	$4,042,110	7.2	UNITED STATES	245,807	1.0
1 CONNECTICUT	$22,761	7.9	1 CALIFORNIA	$531,100	8.4	1 CALIFORNIA	28,168	1.9
2 NEW JERSEY	21,882	7.8	2 NEW YORK	345,425	7.5	2 NEW YORK	17,898	0.3
3 MASSACHUSETTS	20,701	8.4	3 TEXAS	245,663	5.4	3 TEXAS	16,780	0.0
4 ALASKA	19,514	2.0	4 FLORIDA	204,792	9.5	4 FLORIDA	12,377	2.9
5 MARYLAND	19,314	7.2	5 ILLINOIS	203,305	6.2	5 PENNSYLVANIA	12,027	0.7
6 NEW YORK	19,299	7.2	6 PENNSYLVANIA	194,459	6.1	6 ILLINOIS	11,544	-0.4
7 NEW HAMPSHIRE	19,016	8.6	7 NEW JERSEY	168,923	8.5	7 OHIO	10,872	0.8
8 CALIFORNIA	18,855	6.1	8 OHIO	168,344	6.1	8 MICHIGAN	9,300	1.0
9 DELAWARE	17,699	6.8	9 MICHIGAN	152,400	7.1	9 NEW JERSEY	7,720	0.6
10 VIRGINIA	17,640	7.2	10 MASSACHUSETTS	121,538	8.8	10 NORTH CAROLINA	6,526	1.8
11 ILLINOIS	17,611	6.1	11 VIRGINIA	105,774	8.8	11 GEORGIA	6,401	2.8
12 NEVADA	17,440	5.7	12 GEORGIA	95,887	9.4	12 VIRGINIA	5,996	1.4
13 HAWAII	16,898	6.2	13 NORTH CAROLINA	92,199	8.7	13 MASSACHUSETTS	5,871	0.2
14 RHODE ISLAND	16,793	7.0	14 MARYLAND	89,692	8.7	14 INDIANA	5,575	0.8

SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I March, 1989

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	FEBRUARY NON-AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	SAMPLE RETAIL SALES †	POSTAL RECEIPTS
The State		417.5	169.8	181.5	67.2	131.2	147.6	65.5	197.7	507.9
Alexandria	154.0	566.9	335.5	210.1	NA	118.1	205.6	86.3	152.7	NA
Bristol	180.2	NA	105.6	129.5	73.5	79.9	118.3	84.6	136.4	366.3
Cape Charles - Exmore	154.3	NA	816.8	159.1	NA	78.1	NA	NA	131.6	293.6
Charlottesville	189.8	136.1	479.2	164.9	NA	83.9	115.8	124.3	218.8	373.3
Danville	128.8	NA	178.6	118.0	121.1	80.8	103.2	78.5	NA	271.0
Franklin	150.8	NA	61.6	151.4	154.4	82.0	NA	82.3	148.7	290.0
Fredericksburg	415.0	256.5	190.3	NA	178.4	180.5	NA	87.1	177.0	1928.3
Harrisonburg	184.7	396.5	795.3	NA	164.0	76.9	NA	158.3	175.7	366.8
Lynchburg	332.6	137.0	225.2	150.6	NA	64.2	99.5	116.9	195.3	1643.3
Newport News - Hampton	123.7	NA	217.7	152.4	NA	60.0	141.1	113.5	133.0	NA
Norfolk - Va. Beach - Portsmouth	164.9	392.6	199.9	195.3		97.1		NA	210.7	NA
Petersburg	143.0	102.7	109.3	NA	NA	50.1	136.9	107.7	145.2	270.6
Richmond	159.6	482.7	151.5	201.8	118.1	90.9		107.1	119.2	400.9
Roanoke	175.4	368.4	44.1	130.9	180.0	66.1	124.4	106.4	182.5	423.2
Staunton	150.6	133.2	115.5	NA	96.5	72.7	NA	NA	139.3	316.2
Williamsburg	183.8	177.8	321.6	204.3	NA	117.8	NA	91.6	137.7	459.6
Winchester	123.0	452.9	399.7	159.0	95.8	114.2	NA	NA	NA	NA

TABLE II March, 1989

Percentage Change from Same Month Last Year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	FEBRUARY NON-AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	SAMPLE RETAIL SALES †	FEBRUARY TOTAL RETAIL SALES ‡
The State		3.5	-22.4	11.9	-6.9	-20.9	4.5	3.7	5.0	6.4
Alexandria	0.5	7.6	-24.9	14.6	NA	-18.0	6.2	-9.1	2.5	2.4
Bristol	-2.0	NA	53.9	-1.7	-5.9	-31.4	3.5	-13.4	6.2	12.4
Cape Charles - Exmore	3.8	NA	47.6	13.2	NA	-7.7	na	NA	6.8	-3.2
Charlottesville	0.8	32.2	153.4	10.7	NA	-35.6	3.0	4.1	4.4	11.0
Danville	-1.0	NA	-23.5	8.4	-13.8	-14.1	3.2	3.0	NA	7.2
Franklin	4.3	NA	-66.5	16.0	3.8	2.0	NA	-7.6	2.4	13.1
Fredericksburg	3.8	16.1	68.9	NA	1.2	-14.8	NA	13.5	8.7	0.4
Harrisonburg	3.2	47.8	59.1	NA	-7.4	-18.8	NA	10.6	7.9	14.3
Lynchburg	3.9	8.3	102.5	6.7	NA	-34.2	1.7	-2.8	3.5	15.4
Newport News - Hampton	3.7	NA	-61.2	11.3	NA	-36.2	1.2	8.1	10.0	14.9
Norfolk - Va. Beach - Portsmouth	3.6	-2.5	-28.6	10.0		-12.1		na	6.7	5.9
Petersburg	-2.1	-51.8	40.7	NA	NA	-39.1	3.3	10.9	-0.7	12.5
Richmond	0.0	15.0	13.7	14.7	-8.5	-28.0		5.4	2.5	5.6
Roanoke	2.2	0.7	-24.8	8.4	-7.5	-11.8	1.8	2.4	4.6	12.3
Staunton	8.2	1.9	-44.2	NA	-0.7	-24.7	NA	NA	20.3	13.9
Williamsburg	2.8	7.7	116.2	13.3	NA	-9.7	NA	2.7	5.2	-2.1
Winchester	4.7	12.9	473.6	8.7	4.5	-16.8	NA	NA	NA	22.3

TABLE III March, 1989

Percentage Change January - March from Same Period Last Year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JAN. - FEB. NON-AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	SAMPLE RETAIL SALES †	JAN. - FEB. TOTAL RETAIL SALES ‡
The State		15.4	1.7	1.3	-3.4	-13.5	4.5	-1.8	2.2	3.8
Alexandria	0.1	10.8	-8.9	2.7	NA	-10.3	6.3	3.7	-1.7	3.3
Bristol	0.1	NA	64.2	-2.9	1.2	-8.0	3.5	-13.5	4.1	8.6
Cape Charles - Exmore	-3.8	NA	39.6	2.1	NA	-26.3	NA	NA	-1.3	5.5
Charlottesville	2.1	-22.2	33.8	0.9	NA	-16.6	1.1	8.6	6.3	4.2
Danville	-2.5	NA	10.6	0.9	-10.2	-4.9	3.2	-3.9	NA	-0.2
Franklin	-0.6	NA	-66.2	1.1	2.5	5.4	NA	-2.9	-2.6	-2.8
Fredericksburg	5.1	20.3	20.2	NA	2.5	-3.4	NA	13.2	8.7	3.1
Harrisonburg	2.6	33.0	164.6	NA	-8.0	-18.7	NA	1.0	10.3	10.8
Lynchburg	-0.2	11.3	109.1	0.4	NA	-19.3	1.6	7.5	1.4	3.7
Newport News - Hampton	5.3	NA	-28.3	1.2	NA	-18.0	1.4	31.6	5.8	8.5
Norfolk - Va. Beach - Portsmouth	-1.7	-17.1	-8.8	-2.6		-10.8		NA	-0.1	0.6
Petersburg	-4.1	-54.1	-37.7	NA	NA	-37.3	3.2	-2.4	1.9	2.0
Richmond	-2.6	-4.2	36.8	1.9	1.9	-21.2		0.2	0.6	-11.4
Roanoke	0.2	5.7	-3.4	3.3	-4.9	-5.2	1.5	-2.1	1.8	3.9
Staunton	6.9	6.9	68.9	NA	-0.1	-22.3	NA	NA	15.8	16.1
Williamsburg	1.6	13.1	78.5	1.5	NA	-6.3	NA	2.6	5.0	-1.5
Winchester	2.4	12.8	340.6	3.3	3.4	-9.5	NA	NA	NA	12.4

* Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
\# Virginia Employment Commission data which lags behind current reports.
† Preliminary data based on a survey sample.
‡ Total sales based on sales tax information which lags behind current reports.
⊃ Only total MSA data are available for these areas.

N.A. – Not Available
0.0. – No Change

Virginia's high total income and per capita income perhaps best can be appreciated by considering our rank among the 50 states, as shown in Table IV on the previous page. The state's income per person of $17,640 is the tenth highest in the nation—we clearly retained our "top ten" position in 1988 by this measure. Another "top ten" distinction is our average annual growth rate for per capita income, 1982-1988—Virginia's 7.19 percent average is the tenth best in the nation for the current expansion, and higher than the rate achieved by the three of the states with higher incomes per person (Alaska, California, and Delaware).

The number ten ranking of our income per capita is the best indicator of Virginians' relative standard of living compared to people in other states. However our rankings for total income and total population are useful indicators for a different purpose. They show the total size and purchasing power of Virginia as a marketplace. In total dollar income received by residents, our state ranks eleventh, a full member of the "hundred billion plus" group. In number of people we rank only slightly lower—Virginia is the twelfth most populous state.

The official Federal estimates of Virginia's income growth confirm that our recent performance is only a very mild deceleration from the stellar growth rates averaged over the six-year expansion since 1982. For the six-year period, Virginia's total personal income grew at an average annual rate of 8.8 percent. In 1988 the rate was only a slightly lower 8.5 percent. Our prediction for 1989, as stated in the November issue, remains 8.3 percent.

Population growth each year since 1982 has averaged 1.4 percent, exactly equal to the 1987-1988 growth rate. We continue to expect a similar 1.4 percent gain in 1989.

As noted previously, Virginia averaged a 7.2 percent annual increase in per capita income from 1982-1988. The 1988 growth dipped to 7.0 percent, hardly a perceptible change. The Bureau's prediction for 1989, derived from our total income and total population forecasts, is another marginal deceleration, to a 6.8 percent gain.

In sum, newly released Federal income estimates for the states clearly confirm our previous assessment that Virginia became well-established in 1988 as a top-ranking income earner and marketplace, with the tenth place income per person—up from seventeenth position in 1982. Virginia's patterns of growth, over time and by industry, offer strong evidence that we will further solidify our top-level ranking this year. RLP

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